



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

Paul Matson, Director
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www.asrs.state.az.us

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For the week ending Friday, February 4, 2005

Welcome to the ASRS Weekly Report. This report provides a briefing of news and notices important to member employers and your employees. Please direct comments or email address updates to WeeklyReport@asrs.state.az.us or phone (602) 308-5107.

***** Please distribute or make this report available to your employees. *****

Legislative News

On Monday, February 7, the House Public Institutions and Retirement Committee will hear HB 2473 (ASRS retirees; eligibility for AHCCCS) which provides ASRS the opportunity to explore the AHCCCS business model and provider network by including “retirees” as an “eligible person” in the AHCCCS definition statutes.

The ASRS continues to explore many options to provide retirees with comprehensive health care options at affordable premiums. HB 2473 presents an option is to study the possible use of the AHCCCS provider network by the ASRS. AHCCCS has an extensive provider network that offers a minimum of two health plans in every Arizona county and as many as six health plans in both Maricopa and Pima county. Allowing the ASRS to examine the advantages and disadvantages of using a new management model with AHCCCS could potentially expand ASRS retiree health care choices.

HB 2473 does not make an ASRS retired or disabled member automatically eligible for health care benefits provided through AHCCCS through its federally- or state-funded (i.e., premium sharing program or state emergency services program) programs. Such eligibility is determined by strict federal and state guidelines. For instance, the current definition of an “eligible person” under AHCCCS includes all state and county employees and their families. However, for various reasons, the state and counties never used the AHCCCS model for their health care plans.

HB 2473 does not impose any additional requirements upon AHCCCS, as it is strictly permissive language.

Additionally, HB 2472 (ASRS; payroll deduction agreement; purchase) will be heard on Monday. HB2472 is essentially a conformity bill which conforms ASRS practices regarding the continuance of payroll deduction agreements (PDA) to both IRS guidelines and state statute. When an employee purchases additional service time with the ASRS, the employee has the option of entering into a payroll deduction agreement (PDA) as a means to pay for the value of the additional time. At the time of termination of “current employment,” the ASRS presently allows the employee the option of deciding if their PDA will continue with the next ASRS employer. While the employee is still an active member after changing from one ASRS employer to another, they have terminated “current employment” (as statute reads) with the first ASRS employer. Additionally, if an employee changes positions with the same ASRS employer, the ASRS presently allows the employee the option of deciding whether their PDA will continue with the change of position.

Both ASRS bills are cost neutral with no contribution rate, general fund, or implementation costs. Representative McClure, R-District 30, is the sponsor of both bills and chair of the House Public Institutions and Retirement Committee.

More detailed information regarding the status of the above bills as well as other bills that may affect the ASRS or retirement issues is provided on the attached Quick Reference.

Rules Hearings

Pursuant to Arizona Revised Statutes § 41-1023, an oral proceeding will be held to provide for adequate discussion of the substance and form of the Notice of Proposed Rulemaking for Article 5, Purchasing Service Credit.

Date: Wednesday, February 16, 2005

Time: 10 a.m.

Place: ASRS 10th Floor Board Room, 3300 N. Central Ave., Phoenix Arizona 85012

A copy of these rules can be found at www.azsos.gov/aar/2005/3/proposed.pdf

In addition to attending the oral proceeding, you may provide comment on the rules by calling Nancy Johnson, ASRS Rules Coordinator, at (602) 308-5172, or sending written comments by e-mail to nancyj@asrs.state.az.us or by mail to:

Arizona State Retirement System

Attn: Nancy Johnson, Rules Coordinator

3300 N. Central Ave., 14th Floor

Phoenix, AZ 85012

All comments must be at the ASRS by close of record, 5 p.m., Wednesday, February 16, 2005.

ASRS News

Employer staff training workshops

The ASRS Employer Relations Division is again hosting a series of workshops to assist employers with new staff members who have duties and responsibilities related to the ASRS and retirement. ER 101 is designed especially for those who haven't worked with the ASRS in the recent past. Come learn the basics!

Subject matter will include determining membership, the ASRS Long Term Disability plan, reporting contributions, the ASRS Return to Work Program, the Health Insurance Premium Benefit Program, completing necessary ASRS forms and more. Workshops will be from 8:30 a.m. to 12:30 p.m. at the ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room. **Dates are: March 3, April 7, Sept. 22, Oct. 6, Nov. 3 and Dec. 1.**

Space is limited, so register today by sending an email with your name, title, employer and telephone number to: WeeklyReport@asrs.state.az.us For more information, call (602) 308-5107.

Keep us informed of changes

It's important for members to check and verify information such as your beneficiaries, your address and other personal information found on your member statement, which were recently mailed to all members. As always, you should report any changes to the ASRS as soon as possible. This may include changes due to events such as marriage, divorce, new address or new beneficiary designations.

To report changes, please send an email with the change to: contactus@asrs.state.az.us, or contact our Member Services Division at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson and 1 (800) 621-3778 outside Phoenix and Tucson.

Contribution rates set for next fiscal year

As required by state statute, the Arizona State Retirement System adjusts contribution rates every two years to ensure the pension plan, retiree health insurance supplement plan and long-term disability plan remain fiscally sound.

Due to a variety of factors, including past benefit increases, low mid-term investment returns and changing demographics of the ASRS membership, the ASRS will be increasing contribution rates for the period from July 1, 2005 through June 30, 2007. These new rates will take effect July 1, 2005.

- **Retirement Defined Benefit Pension Plan:** Increase from the current 5.2 percent of employee and employer contributions to a rate of 7.75 percent.
- **Long Term Disability Plan:** No increase from the current 0.50 percent of employee and employer contributions.
- **Combined Contribution Rate:** Increase from the current 5.70 percent to 8.25 percent.

Additional information on the new rates is posted on our website, www.asrs.state.az.us.

Board & Committee Meetings

- **ASRS Board of Trustees** – Friday, February 18, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.
- **Investment Committee** – Tuesday, February 7, 5:30 p.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.
- **Operations Committee** – Thursday, February 24, 10:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.
- **External Affairs Committee** – Friday, March 4, 10 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of our meetings are posted on our website and are available at our Phoenix and Tucson office.

Quick Reference
ASRS Related Retirement Legislation
(For Week Ending Friday, Feb. 4, 2005)

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2028 - Treasurer's Risk Reports; technical correction Sponsor: Rep. Boone As Introduced: Minor changes to ARS 35-319 relating to reports on the impact of security risks on state investments.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read	As Introduced: None expected.	As Introduced: None expected.
HB 2080 - Community Colleges, Retirement, technical correction Sponsor: Rep. Knaperek As Introduced: Minor change to ARS 15-1451 relating to optional retirement plans for employees of community colleges.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read	As Introduced: None expected.	As introduced: None expected.
HB 2044 - Tech Correction; Treasurer's Risk Reports Sponsors: Rep. Pearce As Introduced: Minor changes to ARS 35-319 relating to reports on the impact of security risks on state investments.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read	As Introduced: None expected.	As Introduced: None expected.
HB 2149 - Social Security Numbers; Government Request Sponsor: Rep. C. Gray As Introduced: The state and all political subdivisions are prohibited from asking for a person's Social Security number on any form or application unless required by federal law.	Assigned: GRGFA 1/27/05 Rules Status: 1/27/05 first read 1/31/05 second read	As Introduced: None expected.	As Introduced: None expected.
HB 2411 - EORP; Membership Sponsor: Rep. Pearce As Introduced: Repealing Sections 38-815 And 38-821, Arizona Revised Statutes; Relating to the Elected Officials' Retirement Plan. State and county elected officials, judges and full-time court commissioners who are elected or appointed after 2005 must join the Arizona State Retirement System (eliminating them from participation in the Elected Officials Retirement Plan). Upon re-election or retention, a current member of EORP may choose to transfer to ASRS. Starting in 2006 the EORP fund manager may require employers, including cities and towns, to contribute additional amounts needed to properly fund the plan. Authority for city and town elected officials to join EORP is repealed.	Assigned: Hse Rules. PIR, Approp B Status: 1/18/05 first read 1/19/05 second read	As Introduced: None expected.	As Introduced: None expected.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2472 - ASRS; Payroll Deduction Agreements First sponsor: Rep. McClure. Others: Rep. Downing, Sen. Martin. As Introduced: Mandates that an ASRS member's payroll deduction agreement must continue when the member transfers employment between participating ASRS employers.	Assigned: PIR, Rules Status: 1/31/05 first read 2/1/05 second read	As Introduced: None expected.	As Introduced: None expected.
HB 2473 - ASRS Retirees; Eligibility For AHCCCS First sponsor: Rep. McClure. Others: Rep. Lopes, Sen. Arzberger. As Introduced: Provides the ASRS with the opportunity to explore the AHCCCS business model and provider network by including "retirees" as an "eligible person" in the AHCCCS definition statutes.	Assigned: PIR, Health and Rules Status: 1/18/05 first read 1/19/05 second read 1/31/05 held in PIR	As Introduced: None expected.	As Introduced: None expected.
HB 2474 - ASRS; Credited Service Purchase Sponsor: Rep. McClure. As Introduced: Makes a technical correction.	Assigned: PIR, Rules Status: 1/18/05 first read 1/19/05 second read 1/31/05 held in PIR	As Introduced: None expected.	As Introduced: None expected.
HB 2552 - ASRS; Retirees; Graded Multiplier Increase Sponsor: Rep. McClure As Introduced: Members of the Arizona State Retirement System and their beneficiaries who were receiving benefits on Aug 8, 2001, will receive a one-time permanent benefit multiplier graded to reflect years of service. Those who had at least 30 years of service will receive a 9.52% benefit increase; those with shorter terms of service will receive smaller increases.	Assigned: PIR, Rules Approp B Status: : 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet
HB 2562 - Retirement; ASRS; Investments Sponsor: Rep. C Gray As Introduced: The Arizona State Retirement System shall not invest in companies which have business activities in countries identified by the federal government as supporting international terrorism. The annual report to the governor and Legislature by the ASRS must include a list of investments owned.	Assigned; Pending Status: Pending	As Introduced: Not known yet.	As Introduced: Not known yet
SB 1014 - Tech Correction; Department Of Commerce Sponsor: Sen. Jarrett Minor change in ARS 41-1514.01 governing a development program within the Dept of Commerce.	Assigned: Fin, Rules Status: 1/10/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
SB 1206 - Schools; Retirement Programs Sponsor: Sen. L. Gray As Introduced: The eligibility of school district employees to participate in tax sheltered annuity plans under IRS code section 403(b) is expanded to cover retirement and deferred compensation plans contained in sections 401(a) and 457(b). Districts may pay into a deferred comp plan on behalf of an employee for purposes such as an incentive for recruitment or retention; to buy out unused leave time at severance of employment; and to provide incentives for early retirement to selected personnel as determined by the governing board.	Assigned: Fin, K12ED, Rules Status: 1/24/05 first read 1/25/05 second Read	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1359 - Retirees, Health Insurance Program Sponsor: : Sen. Burns, Konopnicki As Introduced: The Dept of Administration is authorized to establish group health and accident insurance for retired and disabled persons from all of the state's four retirement plans. Premiums may be deducted from their retirement benefits. The program is to be implemented on Jan 1, 2007.	Assigned: 2/1/05 Fin 1/31/05 Rules Status: 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1360 - Retiree Health Insurance Committee Sponsor: : Sen. Huppenthal As Introduced: A Retiree Health Insurance Committee is formed to evaluate the options for retiree health insurance coverage proposed by the private entity retained by Legislative Council pursuant to Laws 2004, Chapter 325, Sec 8 (H2542). A report is due by the end of this year.	Assigned: 2/1/05 Fin 1/31/05 Rules Status: 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1366 – Retirement; Minimum Employer Contribution Sponsor : Sen. Martin As Introduced: The minimum amount that employers of members of three state retirement plans (EORP, ASPRS and CORP) must contribute towards their employees' retirement is changed to a percentage left blank in the original bill. Currently, EORP and ASPRS employers contribute an amount equal to 2% of the person's salary; CORP employers contribute 4%.	Assigned: Fin, Rules Status: 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1426 - Retirement; ASRS Spousal Consent Sponsor: Sen. Huppenthal As Introduced: A member of the Arizona State Retirement System must obtain his or her spouse's approval before naming a beneficiary other than the spouse. Unmarried retiree receives monthly annuity; married retiree receives joint and survivor annuity.	Assigned: 2/1/05 Fin, Approp, Rules Status: 2/1/05 first read 2/2/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
SB 1428 - Retirement; ASRS Optional Benefits Retirement; ASRS Spousal Consent Sponsor: Sen. Huppenthal As Introduced: Changes in option forms of retirement benefits under the Arizona State Retirement System include deleting provision to name new contingent annuitant when reverting to straight life annuity. Appropriation of \$20,000.	Assigned: 2/1/05 Fin, Approps, Rules Status: 2/1/05 first read 2/2/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.

LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House Rules Committee	HHR	House Hearing Room
APPROP	Appropriations Committee	Hse.	House of Representatives
ASRS	Arizona State Retirement System	JUD	Judiciary Committee
C&P	Constitutional and Proper	LTD	Long Term Disability
CORP	Corrections Officer Retirement Plan	PFC	Proper for Consideration
COW	Committee of the Whole	PFCA	Proper for Consideration as Amended by the Senate Rules Committee
DP	Do Pass	PIRC	Public Institutions and Retirement Committee
DPA	Do Pass as Amended	PSPRS	Public Safety Personnel Retirement System
EORP	Elected Officials' Retirement Plan		
FII	Financial Institutions and Insurance Committee		
FIN	Finance Committee	SB	Senate Bill
GF	General Fund	S/E	Strike Everything Amendment
GAR	Government Accountability and Reform Committee	Sen.	Senate
GOV	Government Committee	SHR	Senate Hearing Room
HB	House Bill	WM	Ways and Means Committee
HCR	House Concurrent Resolution		

**The weekly legislative report is available on-line at the ASRS website:
www.asrs.state.az.us**

If you have questions relating to legislation, please contact ASRS Government Relations Officer Denisse Gee at (602) 240-2027 or via email at WeeklyReport@asrs.state.az.us
The External Affairs Committee (EAC) meets the first Friday of each month at 10:00 AM in the 14th floor conference room.